

EMEA HOTELS MONITOR

AUGUST 2023

ISSUE 32





Whitebridge Hospitality is a specialist advisor to investors, developers and operators in the hospitality industry around the globe. We provide investment, operational and planning advice, and guidance in respect of the entire hospitality spectrum, including: hotels, mixed-use resorts, leisure facilities, casinos, visitor attractions and sporting venues. Our uniquely qualified team can provide services throughout an asset's life cycle.



Rider Levett Bucknall (RLB) is a global independent construction, property and management consultancy, with a team of more than 4,300 people working across 40 countries to shape the future of the built environment. By providing independent advice through the skills and passion of our people, we deliver value and sustainable solutions for our clients. We are committed to developing new services and techniques that respond to how we build for the future, integrating wellbeing, economic and environmental impacts. Our achievements are renowned: from the early days of pioneering quantity surveying, to landmark projects such as the Sydney Opera House, HSBC Headquarters Building in Hong Kong, the 2012 London Olympic Games and CityCenter in Las Vegas.



HotStats are specialists in hotel profitability data. Drawing on a database of monthly P&L data from hotels across the globe the HotStats platform provides unparalleled insight for the purpose of evaluating hotel performance to a wide range of industry stakeholders. Hotel operators, owners, investors, advisers, analysts and observers benefit from market insight and ongoing benchmarking of operational performance at individual hotel and portfolio level as well as from bespoke market sets.

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Introduction

This funny old world had more shocks for us in H1 2023. Inflation reached new peaks and interest rates followed in its wake. Uncertainties in relation to the situation in Ukraine and the ripples therefrom remain. Today, financing a deal is proving challenging and such headwinds mean transaction volumes have slowed dramatically. And yet, hotel performance levels are shooting out the lights in many markets, proving that international travel is resilient and people are determined to go and have fun. Long may this continue and performance levels grow.

Every market benefited from RevPAR growth, with the sole exception of Doha (-1.7%). The star in RevPAR was Cairo (+109.1%), driven by huge growth in ADR (over +103%). The GOPPAR star was Muscat (+262%), despite relatively modest growth in RevPAR (+28.6%), indicating local managers have had huge success in adjusting operating costs to our new high cost world.

There may be signs of construction cost inflation easing, particularly in Europe, but the Giga-projects in Saudi Arabia are keeping such costs ticking upwards in the Middle East.

Spain and the UK battled the headwinds and were by far the busiest markets in transaction terms, with multiple big and small deals taking place. The geographic spread of deals was one of the most extensive in recent years, with a good number across both CEE and Scandinavia regions.

International travel is resilient and people are determined to go and have fun.

With grateful thanks to our friends at RLB for their contribution to this Monitor's back page feature. It provides an early warning to all hoteliers with regard to their ESG obligations in the not so distant future. Naturally RLB is ready and available to chat through any concerns and possible solutions along your pathway.

Philip Camble

Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor

Performance Trends

Jan-Jun City	2023				2022				Growth			
	ADR	Occ	RevPAR	GOPPAR	ADR	Occ	RevPAR	GOPPAR	ADR	Occ	RevPAR	GOPPAR
	€	%	€	€	€	%	€	€	%	%	%	%
Amsterdam	246.89	72.2	178.19	86.69	216.36	52.0	112.44	55.07	14.1	38.9	58.5	57.4
Bahrain	207.52	52.2	108.35	57.64	205.10	48.1	98.63	50.74	1.2	8.6	9.9	13.6
Berlin	194.52	56.8	110.57	37.22	172.62	46.8	80.71	26.15	12.7	21.6	37.0	42.3
Budapest	194.28	65.3	126.80	58.24	164.64	57.6	94.78	52.38	18.0	13.4	33.8	11.2
Cairo	268.37	65.3	175.28	158.61	131.74	63.6	83.85	73.62	103.7	2.6	109.1	115.5
Cape Town	106.65	73.9	78.77	43.31	77.49	54.0	41.84	19.19	37.6	36.8	88.3	125.7
Doha	146.37	57.0	83.46	47.74	146.13	58.1	84.90	50.57	0.2	-1.9	-1.7	-5.6
Dubai	215.82	78.7	169.85	126.76	231.68	73.2	169.64	124.78	-6.8	7.5	0.1	1.6
Dublin	225.21	82.4	185.67	112.00	197.63	72.4	143.13	95.13	14.0	13.8	29.7	17.7
Edinburgh	174.23	72.0	125.53	54.90	155.54	59.2	92.06	40.66	12.0	21.7	36.4	35.0
Istanbul	250.85	56.3	141.15	80.79	150.05	68.4	102.60	73.57	67.2	-17.7	37.6	9.8
Jeddah	216.28	65.6	141.86	79.77	215.88	63.1	136.15	73.94	0.2	4.0	4.2	7.9
London	249.20	73.1	182.12	91.33	229.33	57.1	130.88	64.18	8.7	28.1	39.1	42.3
Madrid	208.88	65.4	136.56	66.90	194.76	53.1	103.40	45.20	7.3	23.1	32.1	48.0
Milan	415.68	68.4	284.44	159.72	349.57	53.6	187.51	89.85	18.9	27.6	51.7	77.8
Muscat	140.10	51.1	71.65	23.77	136.46	40.8	55.72	6.57	2.7	25.2	28.6	262.0
Paris	494.68	61.5	304.38	124.71	442.27	49.9	220.72	82.44	11.8	23.3	37.9	51.3
Prague	186.64	60.9	113.65	61.02	164.51	48.4	79.69	34.33	13.5	25.7	42.6	77.7
Riyadh	195.14	63.8	124.52	79.75	172.22	63.1	108.72	60.46	13.3	1.1	14.5	31.9
Rome	501.53	66.5	333.76	166.45	430.82	52.9	227.81	90.98	16.4	25.9	46.5	83.0
Vienna	216.61	67.2	145.46	47.88	189.61	48.4	91.73	25.49	14.2	38.8	58.6	87.8
Warsaw	118.71	70.9	84.14	42.55	94.74	67.1	63.57	29.50	25.3	5.6	32.4	44.2

Source: HotStats

- Dwindling F&B profits continue in the UK and Northern Europe as costs stabilise but, revenues lag inflation.
- Energy costs in the last Quarter saw a large fall through consumption, mainly driven by seasonality, and pricing which is falling quickly.
- Conference and events looking much more positive, but still well behind 2019 levels especially when adjusting for inflation.
- Labour costs continue to be a challenge, minimum wage reviews in the UK showed a further 10-12% increase in April 2023.
- Middle East performance continues positively, with major markets such as UAE and KSA showing over 10% further growth in revenue year-on-year and profit margin improvements of over 2 percentage points.

[Click here for further market insight from HotStats.](#)

Hotel Construction Costs

Country	Budget hotels	Mid market – low	Mid market – high	Luxury
	€ per sqm	€ per sqm	€ per sqm	€ per sqm
UK	2,560 - 2,910	2,560 - 3,260	2,850 - 4,590	3,780 - 5,120
Austria	1,800 - 2,130	1,800 - 2,450	2,290 - 3,340	3,100 - 3,700
Belgium	1,390 - 2,040	1,840 - 2,350	2,040 - 2,520	2,750 - 3,460
Czech Republic	1,600 - 1,790	1,600 - 1,980	1,890 - 2,140	1,740 - 2,750
Denmark	1,860 - 2,130	1,860 - 2,400	2,270 - 4,000	3,600 - 4,600
Finland	2,710 - 3,530	3,020 - 3,920	3,530 - 4,570	3,990 - 5,190
France	2,500 - 2,880	2,500 - 3,250	3,060 - 3,320	3,000 - 3,800
Germany	1,440 - 1,820	1,440 - 2,200	2,010 - 2,780	2,400 - 3,350
Greece	1,400 - 1,640	1,950 - 2,150	2,470 - 3,050	3,390 - 4,160
Hungary	1,300 - 1,450	1,300 - 1,600	1,530 - 1,720	1,400 - 2,200
Ireland	2,200 - 2,500	2,200 - 2,800	2,650 - 3,080	2,800 - 3,500
Italy	2,020 - 2,480	2,330 - 2,960	2,700 - 3,210	3,010 - 4,040
Montenegro	1,320 - 1,320	1,320 - 1,320	1,320 - 2,150	2,150 - 2,150
Norway	2,500 - 3,250	2,500 - 4,000	3,630 - 3,850	3,350 - 4,600
Netherlands	1,700 - 2,050	1,700 - 2,400	2,230 - 2,660	2,100 - 3,500
Poland	1,600 - 2,000	1,600 - 2,400	2,200 - 2,540	1,900 - 3,500
Portugal	1,200 - 1,280	1,200 - 1,360	1,320 - 1,700	1,500 - 2,000
Spain	1,600 - 1,850	1,600 - 2,100	1,980 - 2,620	2,300 - 3,100
Sweden	2,640 - 3,240	3,240 - 3,790	3,790 - 4,220	4,220 - 5,410
Abu Dhabi	1,560 - 1,870	1,560 - 2,180	2,130 - 2,480	2,300 - 3,090
Qatar	1,320 - 1,650	1,320 - 1,970	2,190 - 2,810	2,370 - 3,180
Dubai	1,630 - 2,030	1,630 - 2,430	2,300 - 3,030	2,430 - 3,840
Saudi Arabia	1,650 - 1,880	1,650 - 2,110	3,150 - 3,630	4,420 - 5,270
Mozambique	2,330 - 2,710	2,330 - 3,090	3,480 - 4,600	4,780 - 5,960
Botswana	2,040 - 2,290	2,040 - 2,530	2,460 - 2,670	2,850 - 3,870
Mauritius	1,940 - 2,270	1,940 - 2,590	2,890 - 3,850	3,980 - 5,030
South Africa	1,420 - 1,840	1,730 - 2,150	2,050 - 2,250	2,470 - 3,300

These costs have been prepared from a survey of Rider Levett Bucknall worldwide offices and members of the RLB | EuroAlliance. Costs are expressed per square metre of gross internal floor area. The costs include FF&E, but exclude operator's stock and equipment. Fees, land costs and local taxes (VAT or similar) are also excluded. Costs are generally based on constructing international hotels to Western European specifications. Data is prepared to highlight key cost trends and differences between markets. Users should verify the suitability of general cost data to their specific circumstances. Exchange rates and inflation can distort generic data, for specific project guidance please contact Rider Levett Bucknall.

Source: Rider Levett Bucknall

- In most countries, construction input cost increases have slowed easing tender price inflation from that seen in 2022.
- Much of the region has faced successive central bank interest rate rises in an attempt to curb inflation. Whilst it varies by region, such rises may have started to impact construction pipeline and therefore tender prices.
- Hotel sector construction activity had been slower in post-covid recovery than many others and as a result in most regions is still considered to be in growth phase, with the exception of Doha, Cardiff, Durban and Copenhagen.
- New build hotel construction projects in Dubai may have peaked, but with refurbishment and retrofitting projects remaining strong.
- Construction inflation in much of the Middle East is being driven by the Kingdom of Saudi Arabia's Giga-projects.
- Currency fluctuations remain a significant impact on costs reported to a common currency.

Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Price per Key
Portfolio Transactions				€	€
	2x AKS hotels	Greece	448	50,000,000	112,000
	10x Russian hotels	Russia	4,078	186,000,000	46,000
	2x Be Live hotels	Spain	410	83,000,000	202,000
	17x Melia hotels	Spain	2,501	600,000,000	240,000
Single Asset Transactions					
France	Village Club MMV Plagne 2000	La Plagne	226	27,000,000	119,000
	Hotel California	Paris	172	125,000,000	727,000
	Westin Vendome	Paris	428	650,000,000	1,519,000
Scandinavia	The Square	Copenhagen, Denmark	268	73,400,000	274,000
	The Edition Reykjavik ¹	Reykjavik, Iceland	253	260,000,000	1,028,000
	Frogner House Apartments	Oslo, Norway	57	16,400,000	288,000
	Scandic Borlange	Borlange, Sweden	154	17,100,000	111,000
Spain	Hotel Pedralbes	Barcelona	30	9,000,000	300,000
	Sofia Hotel	Barcelona	465	230,000,000	495,000
	The Standard Ibiza	Ibiza	67	50,000,000	746,000
	Palacio del Retiro	Madrid	50	60,000,000	1,200,000
	Radisson Blu Prado	Madrid	58	26,000,000	448,000
	Piramide Hotel	Salou	230	18,000,000	78,000
	Dolce by Wyndham Sitges	Sitges	263	75,000,000	285,000
	Iberosol Antemare	Sitges	116	10,000,000	86,000
UK	The Grand Brighton	Brighton	201	64,410,000	320,000
	Travelodge Pride Park	Derby	84	5,500,000	65,000
	Queens Hotel	Leeds	232	53,000,000	228,000
	Burns Hotel	London	105	34,800,000	331,000
	Native Bankside	London	75	46,700,000	623,000
	Tigerlily Hotel	Edinburgh	33	13,900,000	422,000
Other	Steigenberger Dortmund	Dortmund, Germany	166	65,000,000	392,000
	White Coast Pool Suites	Milos, Greece	30	14,900,000	495,000
	Maldron Oranmore	Galway, Ireland	113	13,000,000	115,000
	Principe di Lazise Wellness & Spa	Lake Garda, Italy	127	25,000,000	197,000
	Hotel Atlantis	Amsterdam, Netherlands	52	9,500,000	183,000
	Luna Alvor Bay	Algarve, Portugal	149	24,000,000	161,000
	Becali Hotel Inter	Venus, Romania	98	8,000,000	82,000

Source: Whitebridge Hospitality

¹ for a 70% stake

- Enterprising East: Indotek Group acquired Jelsa Resort on Hvar (Cro); Szarvadi family acquired K&K Elizabeta (Rom); Delta RE acquired Radisson Collection Old Mill (Ser).
- Corporate compacts: Fundo Italiano d'Investimento acquired HNH Hospitality (Ita); Mutris acquired 33% stake in Risma Hotels (Mor); PIF acquired 49% stake in Rocco Forte Hotels (€1.3bn, UK); Blantyre Capital acquired Crerar Hotels Group (UK).
- Collectable gems: Dubai Holding acquired Le Richmond (Swi); Hyatt acquired Mr & Mrs Smith (€60m, UK).
- Middle East action - QIA may have acquired 7x hotels (Egy).

Prices have been rounded where appropriate. We do not warrant the accuracy of this data which was obtained from publicly available sources and reported in industry journals. Conversions to euros were made according to the exchange rate at the time of the announcement.

USING CRREM TO PREVENT YOUR HOTEL BECOMING A STRANDED ASSET

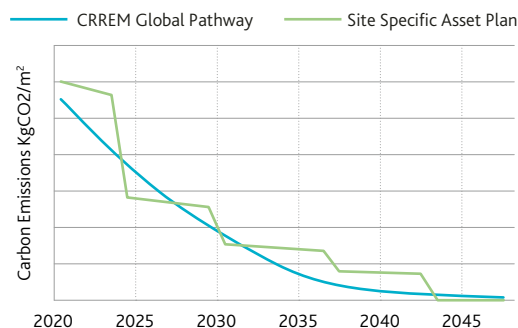
Assets become stranded when they suffer an unexpected or premature write down in value and hotels have one of the most intensive Carbon uses of any built asset. Against the Paris Agreement targets to limit global warming increases to 1.5°C above pre-industrial levels, it is no surprise that asset stranding for environmental reasons is grabbing headlines across all real estate sectors.

As a result many brands, owners and operators now have Net Zero Carbon (NZC) strategies. But, arguably, the strategy itself is not going to protect from asset stranding. The strategy sets out the aim, but demonstrable action is required – both for hotels in existing portfolios and as part of any investment decision to acquire an asset.

Any responsible owner (or brand looking to put its name above the door) not only needs to understand how the asset will perform now and over the life of ownership but what the regulatory regime may look like over that period. Clearly there is some crystal ball gazing here, but uncertainty should not stifle action, doing so will only compound your risk.

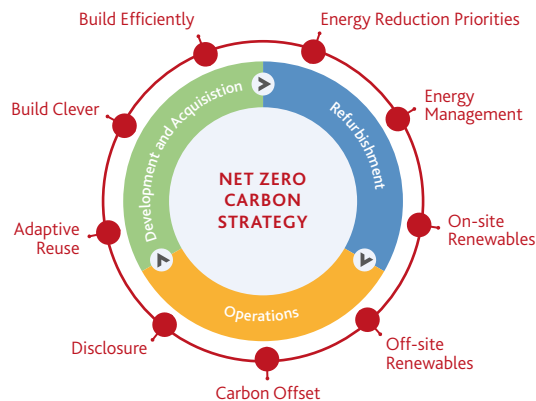
A number of frameworks exist to assist on a NZC journey, one being the Carbon Risk Real Estate Monitor (CRREM) which provides a framework for owners and investors to demonstrate pathways to NZC – recognising that it is a journey but also that deviating from a pathway may result in asset stranding.

NZC CRREM Pathway compared to a site-specific asset plan



Source: Rider Levett Bucknall based upon CRREM pathway.

Your asset is assessed against the NZC pathway (shown in the graph with the blue line). If at any point on your journey your hotel sits above this line, you risk stranding: value could be impacted by your carbon emissions. Valuers may balk at the simplicity of this statement, but the CRREM tool is not intended to adjust value but to translate NZC strategy into action to improve operational carbon. That action may be against the full cycle of ownership as demonstrated here:



Source: Rider Levett Bucknall based upon the UK Green Building Council Framework Definition

So, what are some practical steps that asset owners can put in place by using CRREM to prevent stranding?

- Demonstrate how your asset specific planned hard and soft refurbishment cycles align with the NZC pathway. Being above the NZC curve through some stages of ownership may be necessary. The asset specific pathway is shown in the green stepped line on the graph.
- Measure, monitor and improve operational carbon metrics. Carbon disclosure is coming and you need to understand its impact. If not already caught in your jurisdiction, carbon disclosure is coming and you need to understand its impact.
- Revisit your hard and soft refurbishment scopes through the lens of a NZC journey – failure to do so places you at risk of stranding. You may only be one planned hard refurbishment away from 2050.

Turning NZC Strategy into deliverable plans is where the hard work starts. CRREM provides a framework for such planning. NZC may seem less daunting if placed in the context of a pathway.



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